

BEFORE THE IDAHO BOARD OF TAX APPEALS

RUDDACH LIVING TRUST,)	
)	
Appellant,)	APPEAL NO. 15-A-1096
)	
v.)	FINAL DECISION
)	AND ORDER
BONNER COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RP000890000070A. The appeal concerns the 2015 tax year.

This matter came on for telephonic hearing November 10, 2015 in Boise, Idaho before Board Member David Kinghorn and Hearing Officer Cindy Pollock. Earle Ruddach appeared at hearing for Appellant. Jerry Clemons represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal is the market value of an improved residential property.

The decision of the Bonner County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$501,700, and the combined improvements' value is \$70,260, totaling \$571,960. At hearing, Appellant requested the land value be reduced to \$325,000, with no change to the value of the improvements, for a total assessed value of \$395,260.

The subject property is .525 acre waterfront parcel improved with a 1,150 square foot residence and docks. The lot enjoys 100 front feet on the east side of Priest Lake. Subject is located in the Diamond Park subdivision in Coolin, Idaho.

Appellant explained there were 59 Priest Lake properties which sold in 2014 at an auction. Appellant contended the auction sales were “arm’s-length” as the properties were appraised by professional fee appraisers prior to the auction. The individual appraised values were used as the minimum bid requirements for each property. The Bonner County Board of Equalization (BOE) adjusted the assessed values of the auctioned sites to the actual sale prices. Appellant concluded if the values were accepted by the BOE for assessing the auction lots, they should also be used as supportive data to determine subject’s assessed land value.

Appellant explained subject contains a rocky waterfront, and does not enjoy a sandy beachfront. Further, the lot sits against a hillside and access to the parking area is by steep stairs. Appellant found two (2) auction sales to compare with subject which were characterized as similar in terms of locational attributes. The first auction sale sold for \$350,000 and contained a site with 113 feet of water frontage. The residence on this lot was close to the lake with a somewhat rocky frontage similar to subject. The second sale was for a lot containing 109 feet of sandy beach frontage which sold for \$396,604. Appellant adjusted this sale price down approximately \$46,000 due to the sandy beach front.

Lastly, Appellant provided a 2015 sale of a lot located a few doors down from subject. This lot sold for \$389,000 and contained 100 feet of water frontage and was a steep lot.

Respondent explained the entire lake was trended for the 2015 tax year. Respondent maintained due to the wide variety of lot sizes, beach types, and locations all selling in a similar price range, they were all assessed at the same front foot rate. There were nine (9) sales used to set the base front foot rate. Seven (7) of the sales occurred in 2014, with two (2) taking place in late 2013. Of the nine (9) sales, two (2) were vacant land sales. After removing the assessed

improvement values for the improved sales, Respondent calculated land residuals between \$5,103 and \$6,965 per front foot.

The two (2) vacant parcels had sale price rates of \$4,891 and \$5,200 per front foot. One (1) of the vacant sales contained 110 front feet and was located at the outlet on the south end of the lake. Respondent considered this area of the lake less desirable than the main lake, as it is on a spillway with shallow water and limited access.

Respondent explained the auction sales were considered invalid sales and therefore not used to set 2015 land values. The auction happened because the State was under compulsion to sell the lots to fulfill its obligation to the endowment fund and the lessees were the purchasers of the auction lots. Respondent stated the purchasers had extra motivation to own the land under their homes. Respondent concluded this was not typical motivation and therefore the auction sales were not considered valid market sales.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2015 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

The three (3) primary methods for determining market value include the cost approach, the income approach, and the sales comparison approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach.

Respondent provided nine (9) lakefront sales located on both sides of Priest Lake. Two (2) of the sales were vacant parcels, with the remaining being improved properties. Respondent extracted the values of the improvements to determine the indicated front foot land rate. A rate of \$4,887 was then assigned to all front feet on Priest Lake with the exception of some outlet properties. Without being able to see what improvements were extracted in each individual property, the Board found it difficult to conclude the residual land values are accurate.

Appellant provided two (2) auction sales and one (1) 2015 sale to compare with subject. While we appreciate the 2015 sales information it is beyond the statutory assessment date of January 1, 2015 and will not be considered in this decision. We do find the two (2) auction lots comparable to subject, however, we do have concern over the circumstances around the sales. The only bids received on each auction lot were those of the lessees; there were effectively no outside bidders. The auction sales do not appear to be true market value sales.

Appellant explained the BOE set the assessed values of the auction lots at their respective purchase prices. The auction sales were not considered in valuing the non-auction waterfront lots, which Appellant argued created an unfair burden on certain taxpayers. Appellant argued the auction prices should be used in determining subject's land value. In the Board's view, using the two (2) different standards of valuation for lakefront properties did create two (2) classes, and places a disproportionate tax burden on the non-auction waterfronts.

Article VII, § 5 of the Idaho Constitution provides in pertinent part, “[a]ll taxes shall be uniform upon the same class of subjects within the territorial limits, of the authority levying the tax, and shall be levied and collected under general laws, which shall prescribe such regulations and shall secure a just valuation for taxation of all property, real and personal”

The BOE’s decision to assess the auction lots at their respective purchase prices, but to not use the auction prices in setting values of the non-auction lots created two (2) groups of properties within the same class as subject. The Idaho Constitution does not allow such a result. Whether the auction prices were at market value is not important at this stage. “The requirement that all property be assessed at its actual cash value is secondary to the constitutional mandate of equality of taxation. Where certain property is assessed at a higher valuation than all other property, *the court will enforce the requirement of uniformity by a reduction of the taxes on the property assessed at the higher valuation*, if it be shown that the difference is the result not of mere error in judgment, but of fraud or of *intentional and systematic discrimination*.” (Emphasis added). *Washington County v. First Nat’l Bank*, 35 Idaho 438, 444, 206 P. 1054, 1056 (1922).

According to Idaho Code § 63-511, Appellant bears the burden of establishing error in subject’s valuation by a preponderance of the evidence. The Board finds the burden of proof satisfied in this instance.

Based on the above, the decision of the Bonner County Board of Equalization is modified, thereby lowering subject’s total land value to \$375,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bonner County Board of Equalization concerning the subject parcel be, and the same hereby

is, MODIFIED setting the assessed land value to \$375,000, with no changes to the combined improvements' value of \$70,260, resulting in a total value of \$445,260.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 11th day of January, 2016.